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## **Taiwan**

**Post:** Taipei ATO

### **An Untapped Market for U.S. Fresh Potatoes**

**Report Categories:**

Market Development Reports

Agricultural Situation

Potatoes and Potato Products

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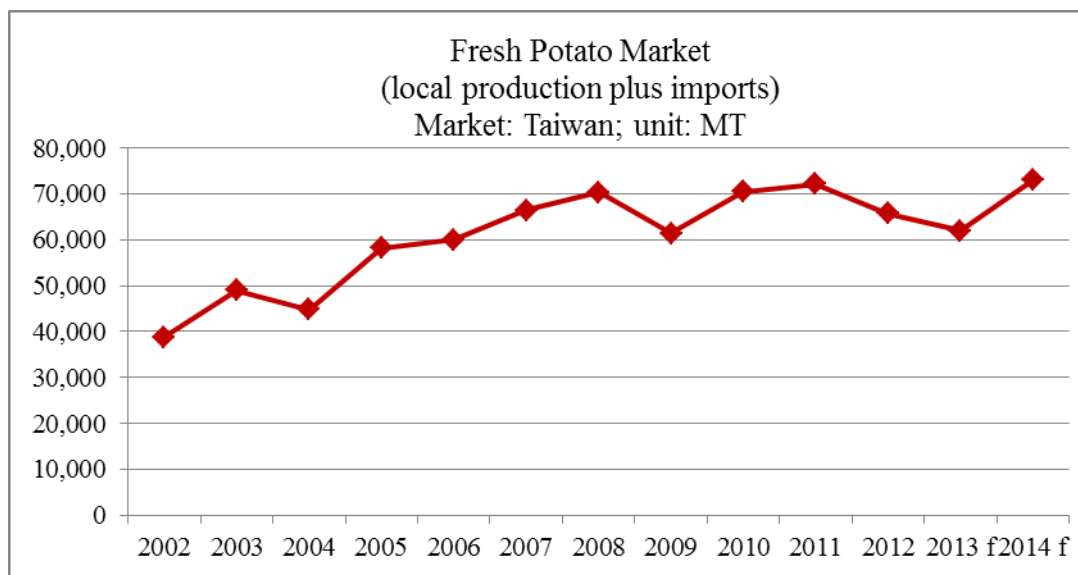
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**Report Highlights:**

Taiwan's 2014 potato production is projected to continue decreasing for the remainder of the growing season to approximately 39,000 metric tons (MT) due to a decrease in planted area. Meanwhile, demand for imported potatoes is expected to increase in order to meet the short supply of local production, which has been an area of concern for Taiwan growers. Most consumers in Taiwan associate potatoes with French fries and curry rice meals, but post anticipates the market should expand once the consumer realizes the various uses of potatoes. In 2012, the United States exported a record \$8.5 million of potatoes to Taiwan.

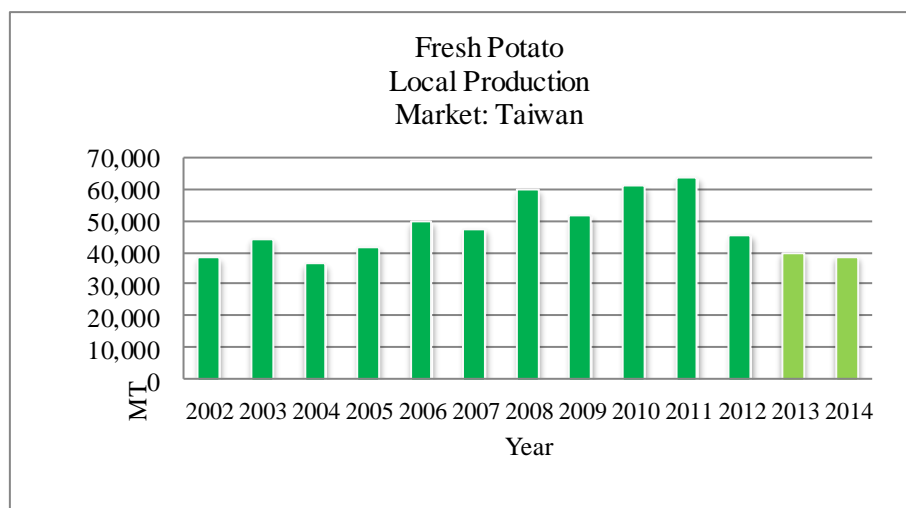
## Market Size



Source: Global Trade Atlas; Taiwan's Council of Agriculture

The market size of potatoes in Taiwan is approximately 65,700 MT, down 9% from 2012. This decline is due, in part, to the decreased local production caused by an unusual longer rainy season. The trend shows that from 2002-06, the potato market growth rate was approximately 11%. However, after 2008, the market fluctuated with a volume between 60,000 MT-70,000 MT. This fluctuation was mainly attributed to an unstable local production. Official statistics for 2013 production and imports have not yet been announced. ATO Taipei forecasts the market size to decrease to 61,900 in 2013, as importers did not anticipate such a drastic decrease in local production. However, Post anticipates that Taiwan could become a great market for U.S. potatoes because of the likely continuous decrease in local production.

## Production



Source: Taiwan's Council of Agriculture

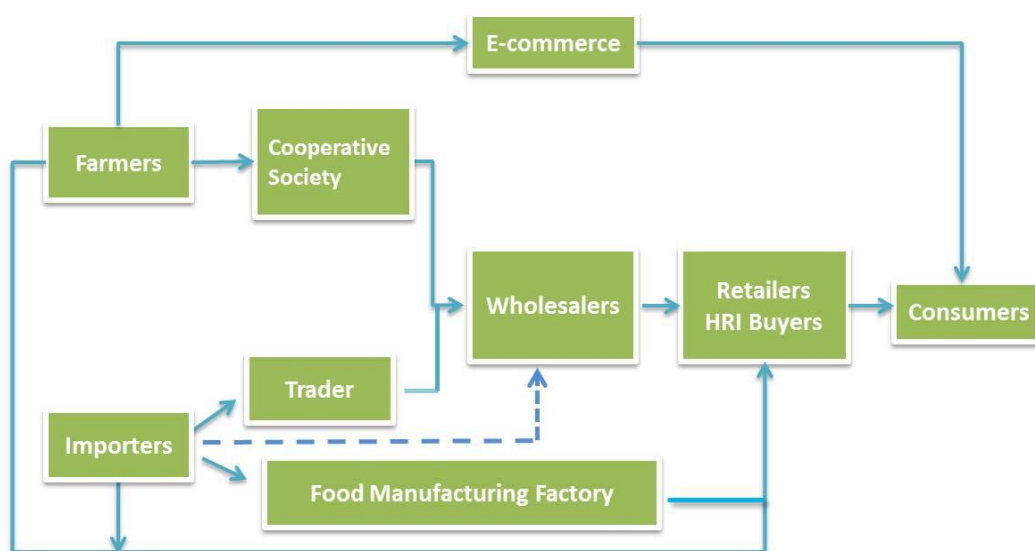
The local production of potatoes in 2012 dropped to 45,433 MT from a record-high level of 63,345 MT in 2011. The poor harvest attributed to a longer rainy season. Though the official data of the 2013 production has not been released, it is anticipated that the 2013 production will decrease to around 39,900 MT, as the rainy season continued to get even longer in early 2013 while the planted area continued to shrink. Harvest season runs from December-March. The planted area decreased to 1,887 hectares in 2012.

Japan was the first country to export seed potatoes to Taiwan in 1928. After several decades of cultivation, potatoes have become one of the most available vegetables in the retail market. Potatoes are mainly planted in: Taichung, Yunlin and Chiayi, where the weather is cooler and the soil is most favorable.

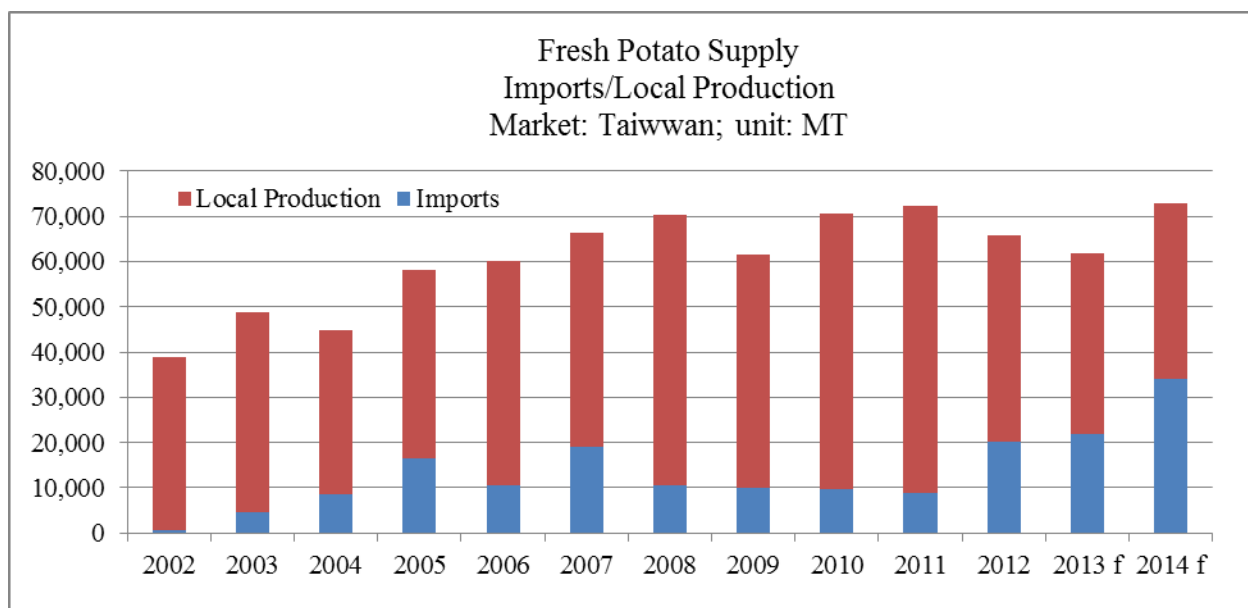
Local potato production has been unstable for a couple of reasons. First, some local farmers have relied on the supply of imported seed potatoes from other countries, which were inferior and negatively affected local production. There has also been a lack of technology to improve the disease resistance for potatoes. It is foreseen that the local production will remain volatile for several more years until local farmers improve technology.

## Supply Chain

Throughout Taiwan, local farmers have adopted a “cooperative distribution” for the supply chain. Through this system, farmers deliver most of their produce to the communal farm associations (locally called, Cooperative Society) where it is distributed to the wholesale market for auction. Prices depend on the open auction conducted throughout various wholesale markets. However in regards to imports, 50% of the imported fresh potatoes are shipped directly to food manufacturers for potato chip production. Most of the remaining potatoes are distributed to retail outlets or foodservice sectors. Only when there is an excess of supply will importers ship the potatoes to wholesale markets for auction.



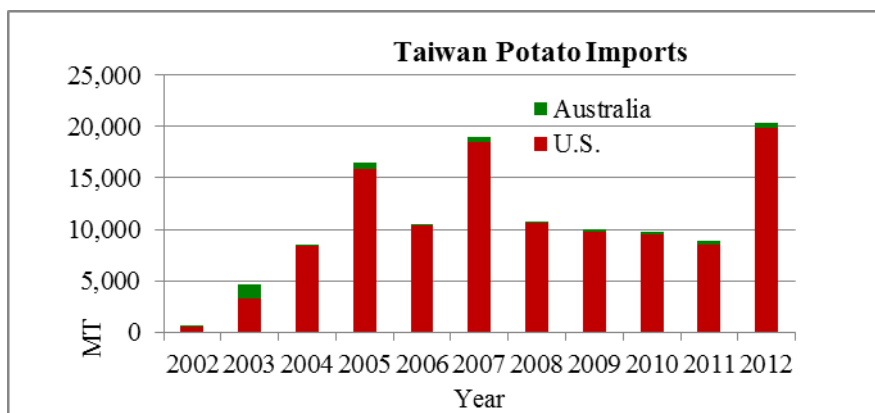
## Trade



Source: Global Trade Atlas; Taiwan's Council of Agriculture

Imported potatoes account for 45% of the total supply, which amounted to 20,301 MT in 2012, up 129% compared to 2011. Like most vegetable products throughout Taiwan, potatoes are only imported in significant quantities when local farmers have a poor harvest and can't meet demand. The official import data for 2013 has not yet been released. However, post forecasts that the imports will increase 8% to ease the decreasing local production, reaching around 22,000 MT.

The United States and Australia are the largest exporters of potatoes to Taiwan. Due to competitive pricing, the United States dominates the trade with nearly 98% of the market share. The majority of U.S. potatoes are of the Russet variety.



Source: Global Trade Atlas

## Policy

## Certification of Seed Potato Policy

The cultivation of potatoes relies on healthy seed potatoes. In 1972, local potatoes were severely infected with *Globodera rostochiensis* (commonly known as golden nematode), a plant pathogenic nematode that was carried by unhealthy Japanese seed potatoes. As a result, the Council of Agriculture (COA) adopted a “propagation and certification of seed potato” policy in order to get rid of unhealthy seed potatoes. For more information, check the web site:

<http://210.69.150.18:8080/handle/345210000/4931>.

## Restricted Import Areas

In Taiwan, it is prohibited to import potatoes from epidemic areas. For seed potatoes, only potatoes from California are permitted to be imported. For fresh potatoes, only those from the areas shown below are permitted to be imported.

- United States: Alaska, California, Colorado, Idaho, Montana, Oregon, and Washington
- Canada: Edward Island, New Brunswick, Quebec
- Australia

## Tariff

- 1) Fresh potatoes: 15%
- 2) Seed potatoes: 0%

## Consumption

In Taiwan, consumer awareness for potatoes is high, but consumer familiarity with various uses for potato recipes is extremely low. Potatoes are mostly used in making curry rice dishes, French fries, or clam chowder. The most available locally grown variety is Kennebec. Taiwan consumers prefer lighter colored potato skins, as it implies a more hygienic product.



*FamilyMart convenience store chain rolled out a successful campaign featuring baked sweet potatoes in 2013, driving additional consumption of 6 million locally grown sweet potatoes.*

The 2012 per capita consumption for root vegetables was 22.4 kg, up 10% compared to 2011. The consumption hike is actually attributed to a successful baked sweet potato campaign promoted by a convenience store chain that triggered a fad throughout Taiwan. The success of the campaign is a good example of how an underestimated commodity can penetrate the market through a simple but tasty recipe idea.

Even though the public is familiar with potatoes, more should be done to promote the varied uses of potatoes in other

dishes. The United States Potato Board in Taiwan will launch a series of educational programs to promote the many uses of potatoes to chefs in 2014. Post anticipates the market should expand further once the consumer realizes the various uses of potatoes.

## Opportunities for U.S. Suppliers

### *Focus on the growing foodservice sector*

As the foodservice industry continues growing (Chart 1), there is the potential for chefs to integrate potatoes in new recipes. Taiwanese chefs like adopting new ingredients to develop creative recipes, and the adoption of a new recipe by the foodservice sector usually trickles down to consumers. ATO Taipei suggests U.S. suppliers provide more recipe ideas in order for the importer to increase demand.

### *Differentiate from local products and promote specialty potatoes*

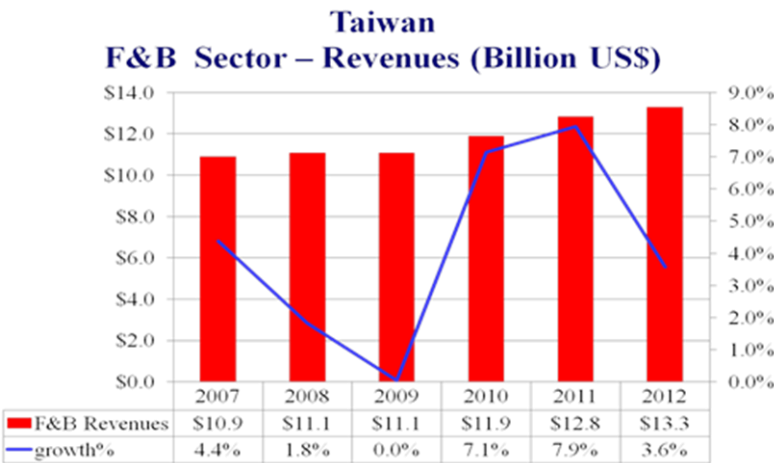
The locally grown varieties include Kennebec, Cadinal, Omega, and a little Purple. ATO Taipei suggests U.S. suppliers introduce high-end potatoes to the market. There have been colored potatoes making an in-road to Taiwan, but the distribution is currently quite limited to high-end supermarkets. Most of the general consumers are unfamiliar with their uses in making dishes, and pricing remains a barrier. To expand the market more effectively, U.S. suppliers should prioritize partnering with the importers who focus their distribution on the foodservice sector.

### *Leverage the upwardly popular cooking method—steam*

With an aging population geared more towards a healthy diet, consumers are more receptive to steamed dishes. Consumers have commented that steamed potatoes are easier to swallow and smell better (Chan, Chiang, Lai, Huang, & Liao, 2011)<sup>1</sup>. In order to target consumers for their daily cooking needs, varieties like Yellow (which are suitable for steaming) could significantly increase their market share promoting this cooking method.

## Appendix

Chart 1: Though there has been a recent slowdown in growth, Taiwan's foodservice sector expected to slightly increase the long run.



<sup>1</sup> Source: Sensory Comparisons of Steamed Potatoes Made from Taiwanese and Overseas Potato Varieties, Hungkuang Univ. Journal

